

BND Exchange

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90 Years
1919 - 2009

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Eric Hardmeyer

PRESIDENT'S *Message*

Looking Into 2009

As the books close on 2008, I can't help but be a little concerned about what 2009 will bring. In North Dakota we have been fortunate that the financial crisis sweeping the country has yet to have a real impact on us. However, we are starting to feel and see strains of the economic downturn seep into the state. Regulators are warning us to understand the magnitude of our commercial real estate concentrations and to be sure we have a documented liquidity plan that is comprehensive and market tested.



We understand that you may look to BND to fulfill certain aspects of your liquidity plan. Rest assured that we are committed to assisting where we can. Over the last several months our lending and investment staffs have been extremely busy as we experienced your efforts to test or execute your liquidity plan. Consequently, this has led to record loan growth, letters of credit for public deposits, and a record amount of fed funds borrowed.

Our continuing efforts to assist North Dakota banks with this liquidity issue must be tempered with existing federal programs including the Federal Home Loan Bank, FDIC, and the Department of Treasury (so as not to duplicate efforts). Additionally, we will need to consider our liquidity situation and ensure that we have adequate funding for our mission-critical programs.

On another note, I look forward to a lively legislative session; North Dakota is one of a handful of states that is working with a surplus. Most other states are trying to figure out how to balance their budgets using every "creative" tool they can muster. Our legislators, like North Dakota bankers, are careful stewards with a strong sense of their fiduciary responsibility. It will be interesting to see how they balance this responsibility in the face of the economic problems as increases are sought to run state government.

Here is wishing you a safe and prosperous new year. ≡

E. Hardmeyer

Established Programs at BND Provide Liquidity

Bank of North Dakota has been providing liquidity to North Dakota financial institutions since 1972 through its Federal Funds program. The first program was the Unsecured Federal Funds Line, and early on it was seldom used. As years passed, the program gained more awareness because of increased seasonal agricultural lending in which the money would be borrowed in the summer and paid off in the fall.

“As a result of increased demand for those funds, BND implemented the Secured Fed Funds program to compliment the Unsecured Fed Funds Lines,” explained Ed Sather, senior vice president of Treasury Services. “It provides the liquidity North Dakota financial institutions need to meet their increased loan demand.”

Due to this growth in loan demand, the two programs have increased dramatically in the past 10 years. Legislation was passed in 1999 to provide another source of liquidity to BND’s partners through the Letters of Credit for Public Deposit program.

“This program allows financial institutions to pledge loans for the Letters of Credit for Public Deposit, which results in releasing securities that had previously been pledged for those public deposits,” said Al Weisbeck, Investment Department manager. “Therefore, the financial institution can use these additional securities to increase their funding sources at BND’s Secured Fed Funds line, Federal Reserves Discount Window or Federal Home Loan Bank.”

Currently BND has \$360 million in both Secured and Unsecured Federal Funds lines, and another \$175 million in Letters of Credit for Public Deposits. As surety bond companies have left the marketplace, there has been a dramatic increase for BND’s Letters of Credit for Public Deposit program and it is expected to continue.

Even with the uncertainty in the national and global marketplace, Bank of North Dakota knows these programs serve its financial partners well. BND will continue to provide these programs to financial institutions across the state to assist them with their liquidity needs. ≡

Federal Funds

UNSECURED:

- Reviewed Semiannually
 - Based on Call Report Numbers
 - Average Return on Assets
 - Capital to Asset Ratio
 - Delinquency Percentages
 - Maximum Line is \$7 Million
- NO DAY OUT Fed Funds if...
 - BND primary Safekeeping Location
 - Otherwise, must be out at least five consecutive business days of 20

SECURED:

- Secured with marketable book entry security
- Line based on market value (less haircut) of securities pledged to BND
- Never have to be out, as long as adjusted market value supports a line

Letters of Credit for Public Deposit

- May use residential, commercial, or farm TERM loans for collateral
- Loans may not exceed 60 days past due
- Available eligible collateral is certified every 60 days
- Fee is 1/8 of one percent per year
- LOC’s may not exceed your total equity
- If you no longer have securities to pledge
- BND can issue a Letter of Credit directly to your public entity
- You pledge loans to BND for collateral
- Term of LOC may not exceed one year



College SAVE Plan Expands Matching Grant

Bank of North Dakota (BND) has expanded the College SAVE matching grant program. College SAVE is North Dakota's 529 college savings plan established by the state to encourage savings through tax-exempt investments for the purpose of paying for higher education expenses.

With the new expansion, which was effective January 1, 2009, the \$300 matching grant program now benefits College SAVE investors who earn less than \$40,000 annually (or \$80,000 for couples who file jointly). Under the previous provisions, only College SAVE investors earning less than \$20,000 annually (or \$40,000 for couples who file jointly) were eligible for the program.*

In addition to the new income parameters, investors who earn less than \$20,000 annually (or \$40,000 for couples who file jointly) can apply for matching grants for three consecutive years.

"Expanding the eligibility of the matching grant program demonstrates our commitment to assist North Dakota families with future education costs," said Eric Hardmeyer, BND President. "Also, the opportunity for families earning less than \$40,000 to receive up to \$900 from Bank of North Dakota in matching funds can be a substantial boost to their college saving efforts."

Due to funding limitations, the first 1,000 beneficiaries per calendar year who qualify for the matching grant program will receive funds, so there is incentive to enroll

early. To receive the funds, the beneficiary of the account must be 12 years of age or younger. Plus, those who enrolled in the program since July 1, 2007 who meet the new parameters also qualify with additional contributions and should apply.

The College SAVE Plan offers a number of important benefits, including:

- A state tax deduction of up to \$5,000 (\$10,000 for couples filing jointly) for North Dakota taxpayers**
- UgiftSM – Give College Savings, a new way for Participants to invite family and friends to make gift contributions to their College SAVE accounts
- Tax-free qualified withdrawals***
- Low minimum investment, high contribution maximum

"We are excited about the program's expansion," said Hardmeyer. "In this economy, families need help saving for college, and we are proud to have a program that provides assistance in doing so."

North Dakota families can learn more about the matching grant program and the College SAVE Plan by going to www.collegesave4u.com or calling 1-866-SAVE-529. ☰



College SAVETM

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Bank of North Dakota Celebrates 90 Years

During the 1900's, North Dakota's economy was aggravated by serious problems. About 80% of its resources were agricultural. Marketing procedures and the financing of agriculture were not such that they encouraged cohesiveness on the part of North Dakota's farmers and its business community. As a result, it was difficult to establish cooperation in buying and selling or in financing farming operations. Marketing services supplied by individuals and private corporations were costly and inefficient. In addition, private interests sometimes took advantage of the needs of the people by decreasing the prices of farm products and by increasing the prices of farm supplies as well as the rates of interest on farm loans.

Although there was general agreement as to the seriousness of North Dakota's situation, opinions varied as to proper and effective remedies. Several were tried before arriving at a consensus that the permanent solution lay in state ownership and control of marketing and credit facilities. Thus, both Bank of North Dakota and the North Dakota Mill and Elevator Association were created by acts of the State Legislature in 1919. Each act indicates the urgency with which these measures were passed, as it states, "This act is hereby declared to be an emergency measure and shall take effect and be in force from and after its passage and approval."

Bank of North Dakota officially opened for business on June 28, 1919. Its \$2 million of capital was provided through the sale of bonds designated as Bonds of North Dakota, Bank Series. Five departments were created in the Bank: Bond Department, Farm Loan Department, Credits Department, Audits Department and the Department of Statistics and Publicity.

In 2009, Bank of North Dakota celebrates 90 years of incredible history and sound service to the people of this state. BND is constantly on the move with current trends and technology, and consistently is a top contributor to the state's General Fund which supports numerous functions for the state and its people.

BND was born out of the need for North Dakotans to band together in support of their economy and their state. The continued existence and success of Bank of North Dakota hinges on this very same idea of partnership for the good of all of North Dakota's citizens.

Bank of North Dakota's history is nicely displayed at Prairie Public's Web site. To view, go to www.prairiepublic.org/features/BankofND/index.htm. ≡

90 Years

1919-2009



OUR MISSION

To deliver quality, sound financial services
that promote agriculture, commerce and
industry in North Dakota.



BND: People Set Us Apart

Doug Sprynczynatyk

Doug has been with Bank of North Dakota for 13 years. The first 11 he served as the procurement officer and handled all the Bank's printing. Two years ago, Doug took on the role of Facilities Manager, in which he takes care of everything from purchasing goods to keeping the lights on. In this role he also oversees the mailroom and custodial staff. BND moved into its new facility one year ago, and that has kept Doug very busy. His work has been non-stop with many new challenges and new direction for BND. He enjoys the fact that no two days are ever the same for him. He says the biggest facility challenge in the new building has been learning to regulate the heating and cooling as the "green" geothermal heat pumps are completely different from traditional furnace and air conditioning systems.

Doug has been a member of ARMA, serving as Vice President of the records retention group, and has served as Co-Chair for the Bismarck Mandan Postal Customer Council. Doug enjoys the fact that by completing his tasks he is making the work areas more comfortable for others to complete theirs. In his spare time, he likes to camp, ride motorcycle, spend time in his workshop and with his wife and 16-year old daughter. ≡



Doug has been Facilities Manager for two of his 13 years at BND.



Lori has worked at BND for almost 17 years.

Lori Gabriel

In March of 1992, Lori Gabriel came to work for BND. She worked in special assets and farm loans prior to becoming a commercial Loan Officer. In this role she handles new loan requests, manages an existing loan portfolio and markets the Bank and its loan programs in her assigned region and across the state.

Between the customers and business partners she works with, and her fellow coworkers in Lending Services, she says coming to work is a complete joy. She enjoys learning about all the other financial institutions that partner with BND to help grow North Dakota, as well as the people and businesses that are served through partnership and lending programs.

When not working, Lori loves to find water! Swimming, boating, and scuba diving are among her favorite pastimes. Spending time with her husband and good friends also is an important part of her life away from work.

NDDFS Web Site Gets New Look & Feel

A fresh new look and feel to North Dakota Dollars for Scholars (NDDFS) on the Web will soon be at your finger tips! It will launch before the end of January. BND began administering NDDFS in 2008 and has played an instrumental role in streamlining information and presenting it in an appealing new way. There will be some new and exciting features for local chapters, as well as students and parents looking for information and Dollars for Scholars scholarship opportunities. Visit nddfs.org soon to check it out. Also, if your community is interested in starting a chapter, call Lori Saylor at 888-592-8540. ≡



BND to Host Legislative Mixer

Bank of North Dakota will host a reception and mixer for members of both the North Dakota Legislature and Bismarck/Mandan Chamber of Commerce on Thursday, February 5, 2009. Although the Bank hosts this event biennially when the legislature is in session, this will be the first time the event will be held in BND's new facility. ≡



Bank of North Dakota *Happenings*

Senator Dorgan Visits BND

Senator Byron Dorgan met with BND President Eric Hardmeyer and close to 30 representatives of the Bank in December of 2008. Dorgan discussed the nation's new president, the economic crisis



along with options Congress is discussing. Other topics of interest included agriculture, energy transmission, student loans, a stimulus package and Medicare. The visit culminated with a promise from Dorgan to revisit the Bank to discuss the future of energy and student loans, among other topics.

Original BND Building Under Demolition

Demolition of the original BND building began Thursday, November 19 and is nearly complete. Two lanes on Seventh



Street were closed and westbound traffic on Main Avenue was restricted to one lane. The building was sold to IRET Properties of Minot for \$2.2 million on August 1, 2008.

SLND's New Look

Student Loans of North Dakota, North Dakota's student loan guarantee agency, is introducing its new logo. This new logo, along



with a new Web site to debut sometime in 2009, will help distinguish SLND as its own entity apart from BND Student Loan Services. The new Web site will be more user-friendly and packed with helpful college-planning information.

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Exchange

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